

FEDERAL OPEN MARKET COMMITTEE CONFERENCE CALL

May 20, 1982

Secretary's Note

No transcript exists for this conference call. However, a staff memorandum written on the day of the call summarizes the nature of the call and is attached.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date May 20, 1982

To FOMC Files

Subject: Drysdale situation
Notes on May 20, 1982 Conference
Call.

From Nancy Steele *NMS*

The purpose of this call was to review the general market situation in the wake of the Drysdale problem. It was noted that the unwinding of this situation was likely to take some time and that firm data on the dollar volume of securities involved were not yet available. As to the System's role, it was understood that the Desk would stand ready to lend securities to assist in the efficient functioning of the government securities market in accordance with the broadened terms and conditions for such lending approved by the FOMC in a vote conducted late yesterday and today. It was further understood that the Desk would not be restricted in its lending by a dollar limit, but would encourage borrowers to seek securities elsewhere first. All loans made by the System must be fully collateralized and the Desk should also ensure that sufficient collateral margin (which might appropriately be higher than that required in normal circumstances) is tendered by the borrower. Very tentative estimates of the order of magnitude of prospective demands for loans of securities from the System portfolio were: at least \$1-1/4 billion by \$400-\$500 million by and smaller amounts by a number of other potential borrowers.

The broader question of how to avoid a recurrence of this kind of problem in the future was also discussed. As an initial step in that direction it was decided that Mr. Sternlight and other representatives

from the New York Reserve Bank would attend upcoming sessions scheduled by the Government Securities Dealers Association on this subject. It was also agreed that the question of whether to seek regulatory authority to deal with such problems should be studied and that at some future time the Chairman might initiate discussions with the Treasury on this matter.